

ABSTRACT

This paper reports the study of public transfers in terms of their distribution by age and the number of years of education of the household head. The educational level is used as a reference variable to define socioeconomic status, due to the correlation of this variable with the general socioeconomic status of households, as documented extensively in the past (Székely, 1999). The study of public transfers by socioeconomic level is relevant because, on the one hand, taxes have effects on the purchasing power of families and; on the other hand, in-kind transfers contribute to ease the burden on the cost of important services, such as education and health. Additionally, monetary transfers serve as a support mechanism to mitigate the effects of extreme poverty and lack of opportunities for specific population groups. Two years of study are reported in this paper to evaluate policy changes taken by the Mexican Government within a period of ten years.

1. INTRODUCTION

The evidence (López-Calva and Lustig, 2010) suggests that inequality in Latin America has been declining in recent times, including Mexico. We explore the topic of inequality in terms of the age distribution of net public transfers in Mexico. What is the evidence about the intergenerational distribution of resources by age subgroups, defined in socioeconomic terms?

Table 1. Current Monetary Income by Quarter a:
Mexico 1994 vs. 2004 %

Table 1 uses deciles of monetary income as a stratification criterion. We see differences in concentration between the extremes of income distribution and changes between 1994 and 2004.

Factors that may contribute to the emerging of a middle class in Mexico:

1. Reduction in fertility rates and demographic dividend
2. Macroeconomic stability
3. Trade and economic liberalization (NAFTA)
4. Expansion of educational and health services, and implementation of public programs to alleviate poverty

Decile	1994		2004	
	Household	Per capita	Household	Per capita
I	0.9	0.5	1.4	0.7
II	2.0	1.2	3.8	2.3
III	3.5	2.2	5.0	3.6
IV	4.2	3.1	6.8	4.7
V	5.8	4.4	7.4	5.8
VI	6.2	5.5	8.0	7.3
VII	8.3	7.8	9.0	8.8
VIII	9.8	9.3	11.0	11.0
IX	14.7	15.2	13.6	15.9
X	44.6	50.6	33.9	39.9
Total	100	100	100	100
N (million)	60,724		237,861	

a Winzorized at 0.1% of the highest values.

Source: Authors' estimates.

Indicators (De la Calle and Rubio, 2010):

- Increase in female labor force participation (35% in 1991 vs. 44% in 2008),
- Per capita consumption of meat (in kg): 1990 vs. 2008,
- Increase in household tenure (owned): 64% in 1950 vs. 79% in 2000,
- Automobiles (millions): 4.0 in 1980 vs. 19.3 in 2008.

2. METHODS

- Socioeconomic status (SES). KEY variable: level of education of the household head.
- Consumption deciles. KEY variable: private consumption as defined in the National Transfer Accounts (NTA) project.

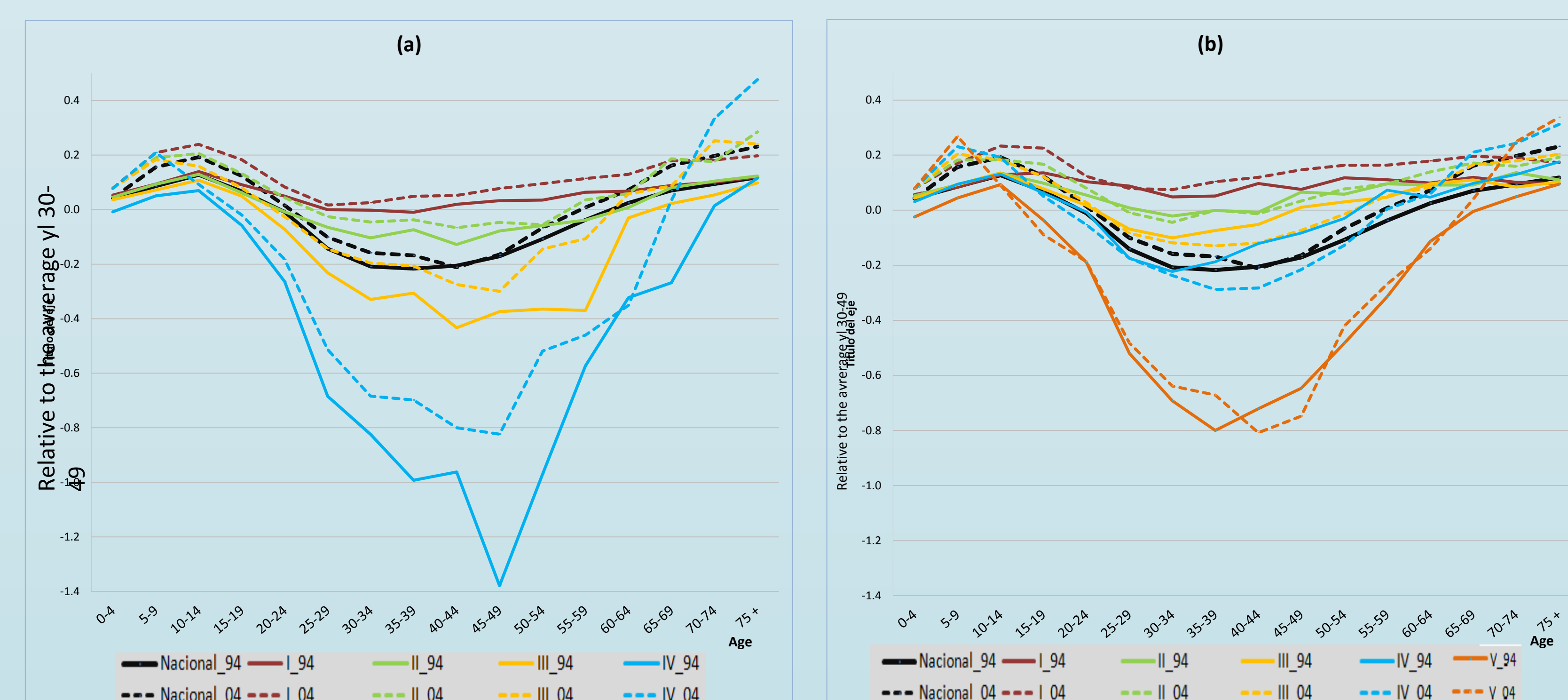
Table 2. Level of Education of the Household Head

Stratum	Level of education	Years of instruction
I	None, kindergarden or incomplete primary	[0-6)
II	Primary or incomplete lower secondary	[6-9)
III	Lower secondary or incomplete upper secondary	[9-16)
IV	Undergraduate, Master or PhD	16 and more

- Age profiles: we apply the NTA approach. We use information from the Income and Expenditure Survey in Mexico (ENIGH) and the System of National Accounts of Mexico (SNA).
- Structure of the public transfers in Mexico
 - Inflows:
 - In-kind: education, health, and other,
 - Cash: *Progres*a/Oportunidades, *PROCAMPO*, other.
 - Outflows:
 - Taxes: Income, VAT, excise taxes, and other,
 - Social security contributions.

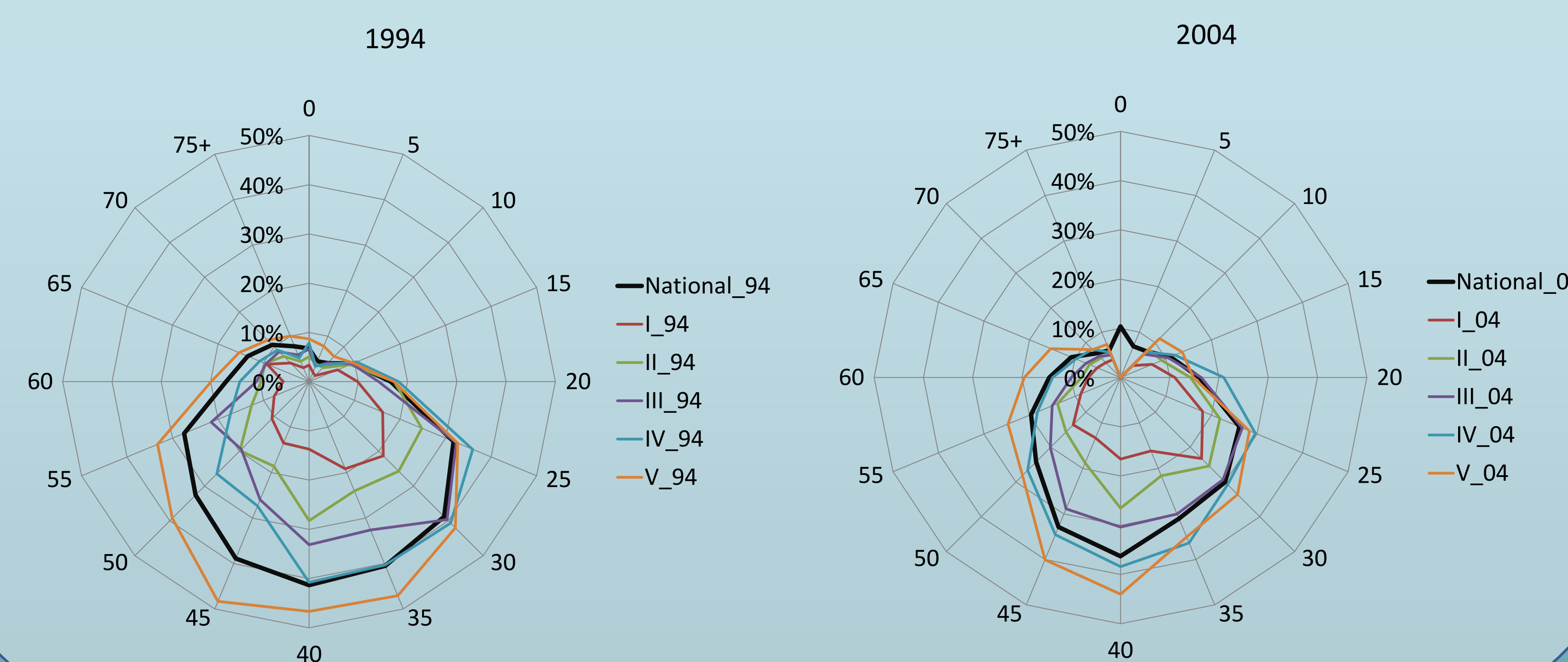
3. RESULTS

Figure 1. Age Distribution of Net public transfers by (a) SES, and (b) consumption quintiles



Source: Authors' estimates using information from Mejía-Guevara (2011).

Figure 2. Incidence of taxes by age and consumption quintiles: 1994 vs. 2004



Source: Authors' estimates using information from Mejía-Guevara (2011).

CONCLUSIONS

- Middle class has been increased in recent times, according to many indicators.
- BUT, inequality is still persistent, though declining slowly.
- It seems that the new strategy against poverty has benefitted economic dependent groups mostly: children and elderly
- There is evidence about “progressivity” in the tax policy, but “regressivity” in the transfer benefits.
- Public cash transfer programs and in-kind transfers have benefitted mostly to depended groups.

REFERENCES

- Székely, M. (1999). Inequality in Mexico: An international perspective, Washington D. C., Inter-American Development Bank.
- De la Calle, and Rubio (2010). Clasemediero: pobre no más, desarrollado aún no [*The one in the middle class: Poor no more, developed not yet*]. Mexico, CIDAC.
- López-Calva, L. F., y Nora Lustig (2010). Declining Inequality in Latin American: a decade of progress? PNUD. Brookings Institution Press, Washington D.C.
- Mejía-Guevara, I. (2011). The Economic Lifecycle and Intergenerational Redistribution in Mexico. In Ronald Lee and Andrew Mason, leader authors and editors, Population aging and the generational economy: A global perspective. Edward Elgar Publishing, Oxford, UK.

CONTACT

Acknowledgement: Dr. Ronald Lee
Contact author: Iván Mejía
E-mail: imejia@uw.edu
NTA website: www.ntaccounts.org/